

Legislative Audit Division

State of Montana



Report to the Legislature

December 1997

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1997

Department of Justice

This report contains recommendations regarding:

- **Depositing video gambling tax timely in accordance with state law.**
- **Recording donated assets at the Montana Law Enforcement Academy.**
- **Improper abatements.**

This report also contains three disclosure issues relating to agency legal services charges which do not meet costs, highway patrol overtime, and increasing fund balances in the highway patrol retirement special revenue account.

**Direct comments/inquiries to:
Legislative Audit Division
Room 135, State Capitol
PO Box 201705
Helena MT 59620-1705**

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a state-wide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1995 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 135, State Capitol
PO Box 201705
Helena MT 59620-1705

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Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

December 1997

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Justice for the two fiscal years ended June 30, 1997. Included in this report are recommendations addressing timely deposits of video gambling taxes, recording of donated assets, improper abatements, and failure to adopt administrative rules. The department's written response to the audit recommendations is included at the end of the audit report. We thank the Attorney General and the department staff for their cooperation and assistance during the audit.

Respectfully submitted,

"Signature on File"

James Gillett, CPA
Deputy Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1997

Department of Justice

Members of the audit staff involved in this audit were Pete Brustkern, Charles Nemec, Wayne D. Guazzo, and Cindy S. Jorgenson.

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Appointed and Administrative Officials

Department of Justice

Joseph P. Mazurek, Attorney General
 Beth Baker, Chief Deputy Attorney General
 Dennis M. Taylor, Deputy Director/Chief of Staff (resigned
 effective October 17, 1997)
 Larry Fasbender, Deputy Director/Chief of Staff

Division Administrators

JanDee May, Central Services
 Gene Kiser, Crime Control
 Art Pembroke, Computer Services and Planning
 Bill Unger, Forensic Science
 Colonel Craig Reap, Highway Patrol
 Mike Batista, Law Enforcement Services
 Dean Roberts, Motor Vehicle
 Greg Noose, Law Enforcement Academy
 Jim Oppedahl, Gambling Control

Montana Board of Crime Control

	<u>Representation</u>	<u>Term Expires January 1</u>
Gary Buchanan, Chairman	Citizen at Large	1999
Craig J. Anderson	Youth Court Probation	1999
Donald Bjertness	Citizen at Large	2001
Fred A. Brown	Local Government Executive	1999
Sylvia Bookout-Reinicke	House of Representatives	2001
Rick Day	Corrections	2001
John T. Flynn	County Attorney	2001
Sherry Matteucci	U.S. Attorney	1999
Joseph Mazurek	Attorney General	2001
Jani McCall	MCP CMG Health	1999
Dorothy B. McCarter	District Court	2001
Debbie Shea	Senate	1999
Mike Shortell	Police Chief	2001
Bill Slaughter	Sheriff	2001
Janet Stevens	Local Gov.-City Admin.	1999
Ken Stuker	School Principal	2001
Jean Turnage	Supreme Court	2001
Elaine Allstead	County Commissioner	2001

Department of Justice

This financial-compliance audit report contains the results of the audit for the two fiscal years ended June 30, 1997. We issued an unqualified opinion on the financial schedules contained in this report. This means the reader can rely on the presented financial information and supporting information on the Statewide Budgeting and Accounting System.

The report contains four recommendations and three disclosure issues. Issues addressed in the recommendations include: timely deposits of video gambling taxes, recording donated assets, improper abatements, and failure to adopt rules. The disclosure issues involve Internal Service Fund fees not commensurate with costs, the Highway Patrol Officers' Retirement System, and Highway Patrol contracts and overtime paid.

The first issue in the report concerns the deposit of video gambling tax. The department is not depositing the tax in a timely manner as required by section 17-6-105 (6), MCA, which caused \$56,272 of lost interest to the state during our audit period.

The second issue in the report relates to recording donated assets at the Montana Law Enforcement Academy (MLEA). The MLEA has a foundation which raises funds for the academy. We noted five checks amounting to \$3,225 payable to the academy, but deposited in the foundation account.

The third issue relates to improper abatement of expenditures. In 1996, Montana Rail Link had a derailment at Alberton which resulted in the need for Highway Patrol services. The Highway Patrol was later reimbursed by Montana Rail Link for the expenditures it incurred. The department incorrectly abated the expenditures.

The final issue relates to noncompliance with state law which requires the department adopt rules to implement mail re-registration and decal application for vehicle licensing. The Motor Vehicle division has not promulgated these rules.

Report Summary

The first disclosure issue discusses fees for the Internal Service Fund. We found Agency Legal Services Bureau is not charging fees commensurate with costs as required by law. The bureau is charging less than the actual costs of operating the division.

The second disclosure issue relates to highway patrol contracts with private parties to provide law enforcement services and payment of overtime. The highway patrol contracts to provide law enforcement services at location sites for motion picture filming, filming of commercials, and other public events sponsored by private promoters. The patrol also contracts with the Department of Transportation (DOT) to provide additional patrols on construction sites. The private promoters and DOT are responsible for paying the cost of the officers, including hours at time and a half. The officers are allowed to take time off their regular shift to work these contracts for overtime wages.

The third disclosure issue relates to an increasing fund balance in the Special Revenue Fund for the Highway Patrol Officers' Retirement System. The increase is due largely to the increased fees for eight year driver's licenses.

Report Summary

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

<u>Recommendation #1</u>	We recommend the department implement additional procedures to ensure timely deposits of video gambling taxes in accordance with state law.	8
	<u>Agency Response:</u> Concur. See page B-3.	
<u>Recommendation #2</u>	We recommend the department establish procedures to properly record donations to the Montana Law Enforcement Academy on the state's accounting records.	9
	<u>Agency Response:</u> Concur. See page B-3.	
<u>Recommendation #3</u>	We recommend the department record revenue on its financial records when it receives reimbursement for Highway Patrol costs as required by state accounting policy. . . .	9
	<u>Agency Response:</u> Concur. See page B-4.	
<u>Recommendation #4</u>	We recommend the department adopt rules for mail-in vehicle re-registration and decal application as required by law or seek legislation to amend the law.	10
	<u>Agency Response:</u> Concur. See page B-4.	

Introduction

Introduction

We performed a financial-compliance audit of the Department of Justice (department) for fiscal years 1995-96 and 1996-97. The objectives of the audit were to:

1. Determine if the department complied with applicable state and federal laws and regulations.
2. Identify areas for improvement in the internal and management controls of the department.
3. Determine if the department's financial schedules present fairly, in accordance with state accounting policy, the results of its operations for the two fiscal years ended June 30, 1997.
4. Determine implementation status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendations made in this report.

Other areas of concern deemed not to have a significant effect on the successful operations of the department are not specifically included in this report, but have been discussed with management.

Background

The department was created on September 1, 1972, through the Executive Reorganization Act of 1971. The Attorney General, who is elected to serve a four-year term, heads the department. The department's primary functions are to provide effective statewide law enforcement, legal services, and public safety.

In the same Executive Reorganization Act that created the Department of Justice, the Board of Crime Control (board) was attached to the department for administrative purposes. The board is composed of 18 members appointed by the Governor and confirmed by the Senate. The staff hired by the board operates as and is presented in the financial schedules as the Justice System Support Service program.

Introduction

The department and the board were budgeted approximately 678 and 20, respectively, full-time positions in the 1996-97 biennium. Expenditures were approximately \$62.7 million for the department and \$7.3 million for the board in fiscal year 1995-96. In fiscal year 1996-97 the department spent \$64.3 million, and the board spent \$7.7 million. The department's divisions are described below.

Legal Services - provides legal research and analysis for the Attorney General; legal counsel for state government and state officials, bureaus, and boards; legal assistance to local governments; legal assistance, training, and support for county prosecutors; and legal advice and support for all state agencies. Included in this division is the Natural Resource Damage Litigation Program which was created for the purpose of conducting litigation over claims arising from damages to natural resources in the Clark Fork River Basin between Butte and Milltown.

Gambling Control - licenses and regulates gambling activities, and enforces gambling laws in the state of Montana. The division collects license fees, collects and distributes gambling taxes, and investigates functions relating to alcoholic beverage licensing and tobacco enforcement.

Motor Vehicle - provides for vehicle registration and driver licensing. This division includes the Title and Registration Bureau in Deer Lodge.

Highway Patrol - patrols the highways and is responsible for accident investigation, motorist assistance, auto theft investigation, vehicle inspection, and enforcement of commercial vehicle regulations and general traffic laws.

Law Enforcement Services - assists law enforcement agencies and promotes enforcement cooperation between federal, state, county, and city agencies through its investigative work.

Law Enforcement Academy - provides a professional education and training program in criminal justice for Montana law enforcement officers and other criminal justice personnel. The academy funds some classes through contracts between the vendors and students. The revenue and expenditures for contracted classes were \$20,660 in fiscal year 1996-97.

Central Services - provides centralized accounting, administrative, budgetary, personnel, payroll, and fiscal support for the department.

Introduction

The division also oversees the County Attorney Payroll program and the Extradition and Transportation of Prisoners program.

Computer Services and Planning - provides the department with automated data processing and law enforcement telecommunication capabilities.

Forensic Science - performs scientific analyses of evidence submitted by law enforcement officials, coroners, and state agencies; promotes forensic science training and scientific criminal investigations in the state and manages a statewide system of death investigations.

Board of Crime Control - prepares and implements an annual plan for strengthening Montana's criminal and juvenile justice systems. The board provides support services to criminal justice agencies such as peace officer certification, data collection, and research. The board is also responsible for the administration of various state and federal programs to help reduce crime and compensate its victims.

Prior Audit Recommendations

Prior Audit Recommendations

Our office performed the department's financial-compliance audit for the two fiscal years ended June 30, 1995. The report contained four recommendations still applicable to the department. In its response to our prior audit, the department concurred with all of the recommendations. We determined the department implemented three recommendations and did not implement one as discussed on page 7.

Findings and Recommendations

Timely Deposits

The Gambling Control Division (division) collects video gambling machine taxes quarterly. Section 23-5-610, MCA, states the department will collect from all operators a video gambling tax of 15 percent of the gross income from each gambling machine. The tax along with the quarterly report is due within 15 days of the end of the quarter. The department receives approximately 1,650 operator reports and tax payments each quarter. According to division personnel the majority of the taxes and reports are received on the 15th day following the end of the quarter.

When the taxes are collected the restrictively endorsed checks are given to the division's compliance specialists for processing. The specialists record the checks in a master collection report, and put additional information on a detailed collection report. The detailed collection report identifies revenue by gambling machine. The compliance specialists use the information on the checks to test for potential undisclosed ownership. Due to the volume of taxes and reports received on the 15th day, agency personnel were unable to make all deposits within one day as required by law.

Section 17-6-105 (6), MCA, states, " all money, credits, evidences of indebtedness, and securities received by a state agency or institution must be deposited . . . each day when the . . . total collections exceeded \$500. . . " The department collected \$33,380,376 and \$32,279,233 in video gambling tax in fiscal years 1996-97 and 1995-96, respectively. We estimate the state lost interest of \$22,651 and \$33,621 for fiscal years 1996-97 and 1995-96, respectively.

We reported this issue in the prior audit of the department. The department has made progress towards ensuring deposits are made in accordance with state law by sorting checks and trying to process larger checks first. The department should continue to develop and implement procedures to ensure compliance with state law. Using other personnel resources to help the compliance specialists enter the deposits when the majority of taxes arrive could further reduce the delayed deposits.

Findings and Recommendations

Recommendation #1

We recommend the department implement additional procedures to ensure timely deposits of video gambling taxes in accordance with state law.

Unrecorded Activity

State law requires the department to record all financial activity on the state's accounting records before the end of the fiscal year in accordance with generally accepted accounting principals. In the following report section we discuss where the Montana Law Enforcement Academy (MLEA) did not record financial activity in accordance with state law.

Donations

The MLEA and its related foundation, the Joe May Memorial Fund, each receive donations from outside parties. The foundation is a nonprofit, tax-exempt corporation established to solicit and receive donations to fund various activities at the academy. Gifts to the foundation should be recorded as an asset on the foundation's financial records. Gifts to the academy should be recorded as an asset on the academy's accounting records.

During our audit we reviewed checks deposited in the foundation's account. In our review of the checks we noted five checks were written to the MLEA as the payee. The five checks totaled \$3,225. Since the checks were written to the academy, the money should have been deposited and recorded as an asset of the state rather than an asset of the foundation.

Academy personnel said they believed that since the checks were donations the money should pass through the foundation and were not aware of the requirement to record the academy donations on the Statewide Budgeting and Accounting System (SBAS) as academy assets. The MLEA should record all academy donations as state assets.

Findings and Recommendations

Recommendation #2

We recommend the department establish procedures to properly record donations to the Montana Law Enforcement Academy on the state's accounting records.

Expenditure Abatements

During the spring of 1996, a Montana Rail Link freight train derailed near Alberton, Montana. The derailment caused local residents to be evacuated and Interstate 90 to be closed. The Montana Highway Patrol responded to the emergency and provided traffic control services. Montana Rail Link paid approximately \$55,000 to compensate the department for the public resources used during the emergency. The department did not record the funds received from Montana Rail Link as revenue. Instead, the funds were used to decrease Highway Patrol expenditures.

State accounting policy allows agencies to cancel or reduce expenditures when the agency is reimbursed by an outside party for non-routine and nonrecurring activities. Department personnel believed this policy applied to the Alberton emergency. However, since public safety and traffic control are the routine missions of the agency, the recovery of Highway Patrol costs during the emergency does not qualify as a proper expenditure abatement.

Recommendation #3

We recommend the department record revenue on its financial records when it receives reimbursement for Highway Patrol costs as required by state accounting policy.

Administrative Rules for Motor Vehicle Registration

The department is required by section 61-3-535, MCA, to adopt rules to implement mail re-registration and decal application for vehicle licensing. The division has not promulgated rules as required by this law. Department administrative personnel said the bureau has never had a need to promulgate rules for this purpose. The operations for mail registration and license decal application are

Findings and Recommendations

straight forward and do not require clarification by the creation of administrative rules.

Recommendation #4

We recommend the department adopt rules for mail-in vehicle re-registration and decal application as required by law or seek legislation to amend the law.

Disclosure Issues

Agency Legal Services Bureau

The department's Agency Legal Services Bureau (ALS) operates as an internal service fund providing legal services for state agencies on a request basis. ALS should recover the costs of providing legal services by charging agencies for legal assistance as required by section 17-8-101(6), MCA.

During the past four years, ALS has routinely billed for and collected less revenue than the costs of its operations. The imbalance of revenues and expenditures has created a negative fund balance which has increased over the four year period to \$157,868. Currently, ALS continues to operate by using cash loans from the Highway Patrol Retirement Fund. Department management is aware of the revenue deficiency, but did not adjust rates due to the following circumstances.

HJR 25 passed by the 1993 session created the Legal Consolidation Interim Study. The 1995 session debated consolidating all state agency legal services within the department. The department did not adjust rates because the consolidation issue was not settled until after the state budget was closed. The department acted during the 1997 session to adjust rates and expects operations to break even by the end of the 1998-99 biennium. Department management believes the negative fund balance should be eliminated by the following biennium. We will continue to monitor this in subsequent audits.

Highway Patrol Contracts and Overtime Earned

The Highway Patrol Division (division) contracts with the Department of Transportation (DOT) to provide enforcement of speed limits at road construction sites. DOT agrees to pay any overtime, benefit, and mileage costs necessary to provide the enforcement.

Division management allows patrol officers to take annual leave or compensatory time off during their regularly scheduled work shift to enforce speed limits at construction sites. This allows the officers to be compensated at two and one-half times (vacation time plus time and a half overtime) their regular salary. According to division personnel, officers must volunteer for contract related work. The officers must also perform the work on overtime so as to not interfere with the performance of their regular duties.

Disclosure Issues

DOT, in effect, is paying the officers' salaries at the overtime rate when the enforcement could be provided during the officers' regular work shift at no additional cost.

During the two pay periods we reviewed, DOT reimbursed the division for 189 officer hours at time and a half. Of these reimbursed hours, 173 hours were worked by officers in addition to their regular work shift. We noted the remaining 16 overtime hours were recorded at the same time the officers involved recorded vacation or compensatory time off.

Division management believe it is acceptable for officers to take leave while at the same time providing services required by the contracts. In order to do so, the officer must obtain supervisory approval for both the leave taken and the overtime worked on the contract. Division management indicated that the Fair Labor Standards Act (FLSA) requires the division to accommodate leave requests whenever possible.

State regulation ARM 2.21.227 (3) directs an agency to refuse to approve annual leave which results in a total of more than 40 hours in a pay status for the workweek. The FLSA directs the employer to schedule employees in a manner that attempts to minimize the number of overtime hours worked. In addition, state policy and the Highway Patrol collective bargaining agreement allows the division to adjust an officer's work schedule or require the officer to take time off without pay so that the officer does not become eligible for the payment of overtime or accrual of nonexempt compensatory time.

In addition to the work performed for DOT, the division contracts with private promoters to provide law enforcement services for public events such as air shows and high visibility events including the filming of movies and commercials. These private companies also reimburse the division for the overtime, benefits, and mileage costs incurred as a result of the work performed. For the same two pay periods reviewed, Highway Patrol officers recorded 423 overtime hours on contracts with private promoters and local

governments. Of these, 313 hours were worked by officers in addition to their regular work shift. The remaining 110 overtime hours were offset by vacation or compensatory time off.

We are disclosing this information because division management has chosen to allow officers to work for the department at overtime rates while they are on vacation or compensatory time off. The division had the discretion to require the officers to record the 126 hours (110 and 16) as regular time worked rather than as overtime hours. We do not make a recommendation at this time.

Highway Patrol Officers' Retirement System

Section 19-6-301, MCA, requires all members of the Montana Highway Patrol to belong to the Highway Patrol Officers' Retirement System (HPORS). The retirement system is funded by a combination of employer and employee contributions. The department is the sole employer contributing to the HPORS.

During fiscal years 1995-96 and 1996-97, the state's contribution to HPORS was 36.28 percent of the total compensation paid to HPORS members. Of the 36.28 percent, 10.18 percent comes from drivers' license fees and the remaining 26.10 percent from the highway account which is funded by gasoline and diesel fuel taxes. A portion of all revenue from drivers' license sales (16.7 percent for each license and 25 percent for duplicates) is required to be reserved for use in making payments to HPORS. Reserving more than 16.7 percent of drivers' license fees for use in paying HPORS contributions and paying 10.18 percent of total compensation of the members into HPORS results in either a rising or falling fund balance in the Special Revenue Fund. Fund balance rises if the reserved percent of drivers' license sales exceeds the amount required to be paid to HPORS (10.18 percent of total compensation of the members). Historically, amounts received from drivers' license sales have exceeded the amount required to be paid to HPORS resulting in the accumulation of cash and fund balance in the Special Revenue Fund. The following table shows the fund balance at fiscal year-end for the last nine years.

Table 1
Accumulated Fund Balance in Highway Patrol Retirement
Special Revenue Fund Account

<u>Fiscal Years</u>	<u>Ending Fund Balance</u>
1988-89	\$514,280
1989-90	569,885
1990-91	715,037
1991-92	803,736
1992-93	200,373*
1993-94	374,615
1994-95	564,998
1995-96	681,757
1996-97	768,025

* \$750,000 transferred to the General Fund in fiscal year 1992-93.

Source: Compiled by the Legislative Audit Division from SBAS.

As shown above, during fiscal year 1992-93, the department was required to transfer \$750,000 of the increasing fund balance to the General Fund. By fiscal year-end 1996-97, the cash and fund balance had accumulated to \$768,025. The fiscal year 1995-96 and 1996-97 fund balances were affected by the change in driver's license renewals. Section 61-5-111, MCA, was amended by the 1995 Legislature to allow issuing of driver's licenses with eight year expiration dates. The fee for an eight year license is \$32, doubling the fees annually deposited to the HPORS Special Revenue Fund account until all licenses have been placed on an eight year renewal cycle.

This issue was discussed in the last two audit reports as a disclosure issue and was discussed in the two previous audit reports as a note to the financial schedules. This issue is again presented for disclosure purposes to allow the legislature an opportunity to consider this issue. We do not make a recommendation at this time.

Independent Auditor's Report & Agency Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Department of Justice for each of the two fiscal years ended June 30, 1996 and 1997, as shown on pages A-5 through A-14. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances and property held in trust of the Department of Justice for the two fiscal years ended June 30, 1996 and 1997, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

"Signature on File"

James Gillett, CPA
Deputy Legislative Auditor

September 5, 1997

DEPARTMENT OF JUSTICE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Enterprise Fund	Internal Service Fund	Expendable Trust Fund	Agency Fund
FUND BALANCE: July 1, 1996	\$ 2,118,705 ¹	\$ 399,556	\$ 0	\$ (90,448)	\$ 0	\$ 0
PROPERTY HELD IN TRUST: July 1, 1996						\$ 4,065
ADDITIONS						
Budgeted Revenues & Transfers-In	27,299,489	15,573,225		731,616		
Nonbudgeted Revenues & Transfers-In	117,014	160,150			23,944,136	
Prior Year Revenues & Transfers-In Adjustments	113,995	138,290			48,399	
Cash Transfers In (Out)	(9,596,263)	16,275,223 ²				
Direct Entries to Fund Balance	121,124	10,643				
Total Additions	18,055,359	32,157,531	0	731,616	23,992,535	0
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	17,983,013	29,722,367		795,795		
Nonbudgeted Expenditures & Transfers-Out	29,038	6,405		2,529	23,926,543	
Prior Year Expenditures & Transfers-Out Adjustments	(126,382)	(157,930)		712	(18,418)	
Total Reductions	17,885,669	29,570,842	0	799,036	23,908,125	0
FUND BALANCE: June 30, 1997	\$ 2,288,395 ¹	\$ 2,986,245	\$ 0	\$ (157,868)	\$ 84,410	\$ 0
PROPERTY HELD IN TRUST: June 30, 1997						\$ 4,065

¹ See note 2 on page A-13.

² See note 4 on page A-13.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Fund	Enterprise Fund	Internal Service Fund	Expendable Trust Fund	Agency Fund
FUND BALANCE: July 1, 1995	\$ 2,183,242 ¹	\$ 1,483,143	\$ (25,245)	\$ (26,312)	\$ 0	\$ 0
PROPERTY HELD IN TRUST: July 1, 1995						
ADDITIONS						
Budgeted Revenues & Transfers-In	25,538,613	15,271,494		607,890		
Nonbudgeted Revenues & Transfers-In	32,218	70,254			23,128,762	
Prior Year Revenues & Transfers-In Adjustments	23,392	128,522			(278)	
Cash Transfers In (Out)	(8,795,134)	12,940,503 ²	25,245			
Direct Entries to Fund Balance		(111,626)				
Additions to Property Held in Trust						4,065
Total Additions	16,799,089	28,299,147	25,245	607,890	23,128,484	4,065
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	16,868,530	29,424,600		658,301		
Nonbudgeted Expenditures & Transfers-Out		4,766		6,090	23,128,484	
Prior Year Expenditures & Transfers-Out Adjustments	(4,904)	(46,632)		7,635		
Total Reductions	16,863,626	29,382,734	0	672,026	23,128,484	0
FUND BALANCE: June 30, 1996	\$ 2,118,705 ¹	\$ 399,556	\$ 0	\$ (90,448)	\$ 0	\$ 0
PROPERTY HELD IN TRUST: June 30, 1996					\$	4,065

¹ See note 2 on page A-13.

² See note 4 on page A-13.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Internal Service Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Licenses and Permits	\$ 13,360,360	\$ 4,209,897		\$ 1,745,025	\$ 19,315,282
Taxes	11,099,679	859		22,247,510	33,348,048
Charges for Services	2,536,614	1,029,455	\$ 731,616		4,297,685
Investment Earnings		476			476
Fines and Forfeits	120,183	181,552			301,735
Federal Indirect Cost Recoveries	79,843				79,843
Sale of Documents, Merchandise and Property	211,005				211,005
Miscellaneous	93,774	159,610			253,384
Other Financing Sources	29,040	1,405,377			1,434,417
Federal		8,884,439			8,884,439
Total Revenues & Transfers-In	<u>27,530,498</u>	<u>15,871,665</u>	<u>731,616</u>	<u>23,992,535</u>	<u>68,126,314</u>
Less: Nonbudgeted Revenues & Transfers-In	117,014	160,150		23,944,136	24,221,300
Prior Year Revenues & Transfers-In Adjustments	113,995	138,290		48,399	300,684
Actual Budgeted Revenues & Transfers-In	<u>27,299,489</u>	<u>15,573,225</u>	<u>731,616</u>	<u>0</u>	<u>43,604,330</u>
Estimated Revenues & Transfers-In	25,305,900	18,404,132	811,692		44,521,724
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 1,993,589</u>	<u>\$ (2,830,907)</u>	<u>\$ (80,076)</u>	<u>\$ 0</u>	<u>\$ (917,394)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits	\$ 581,343	\$ (1,452,242)			\$ (870,899)
Taxes	1,073,315	(4,141)			1,069,174
Charges for Services	216,841	(102,106)	\$ (80,076)		34,569
Investment Earnings		(1,124)			(1,124)
Fines and Forfeits	52,331	(74,258)			(21,927)
Federal Indirect Cost Recoveries	20,180				20,180
Sale of Documents, Merchandise and Property	44,379				44,379
Miscellaneous	5,200	(11,136)			(5,936)
Other Financing Sources		(3,229)			(3,229)
Federal		(1,182,671)			(1,182,671)
Budgeted Revenues & Transfers-In Over (under) Estimated	<u>\$ 1,993,589</u>	<u>\$ (2,830,907)</u>	<u>\$ (80,076)</u>	<u>\$ 0</u>	<u>\$ (917,394)</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Fund	Internal Service Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Licenses and Permits	\$ 12,370,173	\$ 3,971,236		\$ 1,768,027	\$ 18,109,436
Taxes	10,736,472	151,918		21,360,736	32,249,126
Charges for Services	2,207,031	968,828	\$ 607,890		3,783,749
Investment Earnings		1,014			1,014
Fines and Forfeits	39,641	203,769		(278)	243,132
Federal Indirect Cost Recoveries	33,973				33,973
Sale of Documents, Merchandise and Property	177,716				177,716
Miscellaneous	29,217	113,591			142,808
Other Financing Sources		1,832,673			1,832,673
Federal		8,227,241			8,227,241
Total Revenues & Transfers-In	25,594,223	15,470,270	607,890	23,128,485	64,800,868
Less: Nonbudgeted Revenues & Transfers-In	32,218	70,254		23,128,763	23,231,235
Prior Year Revenues & Transfers-In Adjustments	23,392	128,522		(278)	151,636
Actual Budgeted Revenues & Transfers-In	25,538,613	15,271,494	607,890	0	41,417,997
Estimated Revenues & Transfers-In	24,396,500	19,404,476	729,195		44,530,171
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 1,142,113	\$ (4,132,982)	\$ (121,305)	\$ 0	\$ (3,112,174)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits	\$ 526,028	\$ (947,666)			\$ (421,638)
Taxes	666,089	(5,000)			661,089
Charges for Services	(92,778)	121,703	\$ (121,305)		(92,380)
Investment Earnings		(3,986)			(3,986)
Fines and Forfeits	32,859	(14,993)			17,866
Federal Indirect Cost Recoveries	12,230				12,230
Sale of Documents, Merchandise and Property	(308)				(308)
Miscellaneous	(2,007)	28,107			26,100
Other Financing Sources		(693,803)			(693,803)
Federal		(2,617,344)			(2,617,344)
Budgeted Revenues & Transfers-In Over (under) Estimated	\$ 1,142,113	\$ (4,132,982)	\$ (121,305)	\$ 0	\$ (3,112,174)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	Justice System Support Service	Legal Services Division	Agency Legal Services	Gambling Control Division	Motor Vehicle Division	Highway Patrol Division	Law Enforcement Services Div.	County Attorney Payroll	Law Enforcement Academy Div.	Central Services Division	Computer Serv & Plan Division	Extradition & Transp Prisoners	Forensic Science Division	Total
Personal Services														
Salaries	\$ 595,710	\$ 1,791,993	\$ 518,380	\$ 1,359,217	\$ 3,025,683	\$ 7,715,240	\$ 1,912,154	\$ 1,196,421	\$ 324,684	\$ 312,588	\$ 786,115		\$ 847,737	\$ 20,385,922
Hourly Wages				2,003	68,687		75,962							146,652
Other Compensation	1,350	0		381	0		0							1,732
Employee Benefits	146,809	403,076	120,848	350,834	882,806	3,481,184	540,235	195,142	75,793	79,414	194,481		193,885	6,684,507
Personal Services-Other			9,918											9,918
Total	<u>743,869</u>	<u>2,195,069</u>	<u>649,146</u>	<u>1,712,435</u>	<u>3,977,176</u>	<u>11,196,425</u>	<u>2,528,351</u>	<u>1,391,563</u>	<u>400,477</u>	<u>392,002</u>	<u>980,596</u>		<u>1,041,622</u>	<u>27,208,731</u>
Operating Expenses														
Other Services	142,294	882,059	73,254	92,092	1,480,729	1,486,347	587,248		204,951	26,067	536,975		51,506	5,563,522
Supplies & Materials	38,619	51,054	7,720	59,697	164,470	748,700	163,898		100,467	5,428	21,628		168,145	1,529,826
Communications	34,117	62,430	11,308	105,419	527,644	162,957	121,457		19,716	8,864	44,465		24,265	1,122,642
Travel	51,481	59,847	7,509	45,389	76,591	451,477	119,120		77,289	2,791	11,387	\$ 60,671	33,418	986,970
Rent	31,436	78,237	25,949	136,169	286,531	155,687	119,663		2,602	17,556	30,647		72,994	957,471
Utilities				99	22,321	13,653	797		55,434		16,157		13,603	122,064
Repair & Maintenance	4,357	20,725	3,733	42,745	124,664	391,971	91,026		64,589	1,455	24,694		257,523	1,027,482
Other Expenses	10,638	62,575	12,142	15,283	31,492	98,725	144,605		12,904	1,477	12,090		29,483	431,414
Goods Purchased For Resale						400								400
Total	<u>312,942</u>	<u>1,216,927</u>	<u>141,615</u>	<u>496,893</u>	<u>2,714,442</u>	<u>3,509,917</u>	<u>1,347,814</u>		<u>537,952</u>	<u>63,638</u>	<u>698,043</u>	<u>60,671</u>	<u>650,937</u>	<u>11,751,791</u>
Equipment & Intangible Assets														
Equipment	10,847	41,457	(1,033)	74,003	141,275	1,455,143	226,861		17,354		67,228		297,447	2,330,582
Capital Leases - Equipment				1,659			7,700		9,240				12,100	30,699
Intangible Assets		2,617		309	9	5,568							1,156	9,659
Total	<u>10,847</u>	<u>44,074</u>	<u>(1,033)</u>	<u>75,971</u>	<u>141,284</u>	<u>1,460,711</u>	<u>234,561</u>		<u>26,594</u>		<u>67,228</u>		<u>310,703</u>	<u>2,370,940</u>
Local Assistance														
From State Sources		31,433		23,999,184										24,030,617
Total		<u>31,433</u>		<u>23,999,184</u>										<u>24,030,617</u>
Grants														
From State Sources	809,608													809,608
From Federal Sources	5,040,394													5,040,394
Total	<u>5,850,002</u>													<u>5,850,002</u>
Benefits & Claims														
To Individuals	755,099													755,099
Total	<u>755,099</u>													<u>755,099</u>
Debt Service														
Bonds									7,973					7,973
Leases							14,795							14,795
Installment Purchases		2,052	796	59	114,353		1,969		6,532		33,170		14,793	173,724
Total		<u>2,052</u>	<u>796</u>	<u>59</u>	<u>114,353</u>		<u>16,764</u>		<u>14,505</u>		<u>33,170</u>		<u>14,793</u>	<u>196,492</u>
Total Program Expenditures & Transfers-Out	<u>\$ 7,672,759</u>	<u>\$ 3,489,555</u>	<u>\$ 790,524</u>	<u>\$ 26,284,542</u>	<u>\$ 6,947,255</u>	<u>\$ 16,167,053</u>	<u>\$ 4,127,490</u>	<u>\$ 1,391,563</u>	<u>\$ 979,528</u>	<u>\$ 455,640</u>	<u>\$ 1,779,037</u>	<u>\$ 60,671</u>	<u>\$ 2,018,055</u>	<u>\$ 72,163,672</u>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND														
General Fund	\$ 2,019,169	\$ 2,084,445		\$ 470,167	\$ 5,835,595		\$ 2,348,851	\$ 1,391,563	\$ 862,630	\$ 185,090	\$ 1,198,251	\$ 60,671	\$ 1,429,237	\$ 17,885,669
Special Revenue Fund	5,653,590	1,405,110		1,906,250	1,111,660	\$ 16,167,053	1,778,639		116,898	262,038	580,786		588,818	29,570,842
Internal Service Fund			\$ 790,524							8,512			799,038	
Expendable Trust Fund				23,908,125										23,908,125
Total Program Expenditures & Transfers-Out	<u>7,672,759</u>	<u>3,489,555</u>	<u>790,524</u>	<u>26,284,542</u>	<u>6,947,255</u>	<u>16,167,053</u>	<u>4,127,490</u>	<u>1,391,563</u>	<u>979,528</u>	<u>455,640</u>	<u>1,779,037</u>	<u>60,671</u>	<u>2,018,055</u>	<u>72,163,672</u>
Less: Nonbudgeted Expenditures & Transfers-Out		4,745	2,529	23,928,205			7,700		9,240				12,100	23,964,519
Prior Year Expenditures & Transfers-Out Adjustments	(138,374)	12,379	712	(31,993)	(28,389)	(134,635)	8,686	4,091	12,770	(591)	5,017	(18,095)	6,405	(302,017)
Actual Budgeted Expenditures & Transfers-Out	7,811,133	3,472,431	787,283	2,388,330	6,975,644	16,301,688	4,111,104	1,387,472	957,518	456,231	1,774,020	78,766	1,999,550	48,501,170
Budget Authority	9,128,498	6,099,168	811,692	2,401,472	6,988,522	16,895,731	4,448,477	1,391,363	984,865	673,929	2,150,205	156,017	2,138,033	54,267,972
Unspent Budget Authority	<u>\$ 1,317,365</u>	<u>\$ 2,626,737</u>	<u>\$ 24,409</u>	<u>\$ 13,142</u>	<u>\$ 12,878</u>	<u>\$ 594,043</u>	<u>\$ 337,373</u>	<u>\$ 3,891</u>	<u>\$ 27,347</u>	<u>\$ 217,698</u>	<u>\$ 376,185</u>	<u>\$ 77,251</u>	<u>\$ 138,483</u>	<u>\$ 5,766,802</u>
UNSPENT BUDGET AUTHORITY BY FUND														
General Fund	\$ 68,822	\$ 265,733			\$ 12,878		\$ 3,216	\$ 3,891	\$ 6,075	\$ 4,860	\$ 1,629	\$ 77,251	\$ 2,766	\$ 447,121
Special Revenue Fund	1,248,543	2,361,004		\$ 13,142		\$ 594,043	334,157		21,272	212,838	374,556		135,717	5,295,272
Internal Service Fund			\$ 24,409											24,409
Expendable Trust Fund														0
Unspent Budget Authority	<u>\$ 1,317,365</u>	<u>\$ 2,626,737</u>	<u>\$ 24,409</u>	<u>\$ 13,142</u>	<u>\$ 12,878</u>	<u>\$ 594,043</u>	<u>\$ 337,373</u>	<u>\$ 3,891</u>	<u>\$ 27,347</u>	<u>\$ 217,698</u>	<u>\$ 376,185</u>	<u>\$ 77,251</u>	<u>\$ 138,483</u>	<u>\$ 5,766,802</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1995

	Justice System Support Service	Legal Services Division	Agency Legal Services	Gambling Control Division	Motor Vehicle Division	Highway Patrol Division	Law Enforcement Services Div	County Attorney Payroll	Law Enforcement Academy Div	Central Services Division	Computer Serv & Plan Division	Extradition & Transp Prisoners	Forensic Science Division	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT														
Personal Services														
Salaries	\$ 548,853	\$ 1,575,127	\$ 434,018	\$ 1,236,086	\$ 2,847,180	\$ 7,384,153	\$ 1,797,419	\$ 1,163,144	\$ 323,460	\$ 282,182	\$ 655,165		\$ 777,276	\$ 19,024,063
Hourly Wages	1,550	402		1,421	37,601		73,405							111,006
Other Compensation					1	1	1							3,376
Employee Benefits	137,704	362,738	99,278	323,574	811,164	3,419,557	490,298	184,082	78,207	73,336	159,259		179,364	6,318,561
Personal Services-Other			4,648											4,648
Total	688,107	1,938,267	537,944	1,561,081	3,695,946	10,803,711	2,361,123	1,347,226	401,667	355,518	814,424		956,640	25,461,654
Operating Expenses														
Other Services	219,874	1,319,520	55,027	282,097	1,819,387	1,067,954	461,167		143,888	75,043	520,538		51,788	6,016,283
Supplies & Materials	28,538	95,740	12,366	57,947	206,005	748,667	370,302		79,357	7,313	22,607		98,909	1,727,751
Communications	35,860	73,226	9,483	91,551	520,466	174,263	118,378		14,723	8,496	45,886		18,677	1,111,029
Travel	54,104	92,223	8,487	49,021	77,671	475,299	124,063		71,197	521	6,768	\$ 110,429	34,179	1,103,962
Rent	32,094	64,950	15,612	121,657	226,765	109,296	193,332		44,672	17,449	28,970		61,155	915,952
Utilities					22,076	12,919	5,787		16,401		15,135		13,760	86,078
Repair & Maintenance		4,042	17,092	3,877	29,171	127,299	368,330		75,097	29,948	1,374		25,111	749,882
Other Expenses	20,458	67,356	17,680	14,123	34,692	113,417	125,616		25,365	4,608	4,829		18,682	446,826
Total	394,970	1,730,107	122,532	645,567	3,034,361	3,070,165	1,473,742		425,551	114,804	669,844	110,429	365,691	12,157,763
Equipment & Intangible Assets														
Equipment	12,652	76,362	1,643	133,798	337,281	1,331,501	259,221		16,430	4,068	20,623	1,455	210,432	2,405,466
Intangible Assets		1,448		3,761	2,229	5,113	544				847			14,606
Total	12,652	77,810	1,643	137,559	339,510	1,336,614	259,765		16,430	4,732	21,470	1,455	210,432	2,420,072
Local Assistance														
From State Sources		18,567		23,389,769										23,408,336
Total		18,567		23,389,769										23,408,336
Grants														
From State Sources	792,696													792,696
From Federal Sources	4,850,197													4,850,197
From Other Sources	(1,539)													(1,539)
Total	5,641,354													5,641,354
Benefits & Claims														
To Individuals	581,901													581,901
Total	581,901													581,901
Debt Service														
Leases							189,194							189,194
Installment Purchases		2,096	775	1,933	143,596		707		4,320		33,170			186,597
Total		2,096	775	1,933	143,596		189,901		4,320		33,170			375,791
Total Program Expenditures & Transfers-Out	\$ 7,318,984	\$ 3,766,847	\$ 662,894	\$ 25,735,909	\$ 7,213,413	\$ 15,210,490	\$ 4,284,531	\$ 1,347,226	\$ 847,968	\$ 475,054	\$ 1,538,908	\$ 111,884	\$ 1,532,763	\$ 70,046,871
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND														
General Fund	\$ 2,057,016	\$ 1,845,147		\$ 359,774	\$ 6,010,580	\$ 1,920,101	\$ 1,347,226	\$ 825,631	\$ 169,002	\$ 1,035,081	\$ 111,884	\$ 1,182,184	\$ 16,863,626	
Special Revenue Fund	5,261,968	1,921,700		2,247,650	1,202,833	15,210,490	2,364,430		22,337		503,827		350,579	29,382,734
Internal Service Fund			\$ 662,894							9,132				672,026
Expendable Trust Fund				23,128,485										23,128,485
Total Program Expenditures & Transfers-Out	7,318,984	3,766,847	662,894	25,735,909	7,213,413	15,210,490	4,284,531	1,347,226	847,968	475,054	1,538,908	111,884	1,532,763	70,046,871
Less: Nonbudgeted Expenditures & Transfers-Out		4,770	6,090	23,128,484										23,139,344
Prior Year Expenditures & Transfers-Out Adjustments	(42,430)	(26,724)	7,642	148,509	(7,579)	(147,705)	3,017	451	183	2,367	223	17,516	632	(43,898)
Actual Budgeted Expenditures & Transfers-Out	7,361,414	3,788,801	649,162	2,458,916	7,220,992	15,358,195	4,281,514	1,346,775	847,785	472,687	1,538,685	94,368	1,532,131	46,951,425
Budget Authority	9,763,764	5,260,191	748,279	2,564,645	7,240,257	16,302,356	5,068,173	1,350,865	879,863	647,377	1,848,236	141,834	1,687,294	53,503,134
Unspent Budget Authority	\$ 2,402,350	\$ 1,471,390	\$ 99,117	\$ 105,729	\$ 19,265	\$ 944,161	\$ 786,659	\$ 4,090	\$ 32,078	\$ 174,690	\$ 309,551	\$ 47,466	\$ 155,163	\$ 6,551,709
UNSPENT BUDGET AUTHORITY BY FUND														
General Fund	\$ 138,966	\$ 464,767		\$ 96,644	\$ 19,055		\$ 30,065	\$ 4,090	\$ 2,546	\$ 3,409	\$ 4,409	\$ 47,466	\$ 121,462	\$ 932,879
Special Revenue Fund	2,263,384	1,006,623		9,085	210	\$ 944,161	756,594		29,532	171,200	305,142		33,701	5,519,632
Internal Service Fund			\$ 99,117							81				99,198
Expendable Trust Fund														
Unspent Budget Authority	\$ 2,402,350	\$ 1,471,390	\$ 99,117	\$ 105,729	\$ 19,265	\$ 944,161	\$ 786,659	\$ 4,090	\$ 32,078	\$ 174,690	\$ 309,551	\$ 47,466	\$ 155,163	\$ 6,551,709

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1997

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental, Expendable Trust, and Agency Funds. In applying the modified accrual basis, the department records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual leave and sick leave when used or paid.

The department uses accrual basis accounting for Proprietary Funds. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period earned when measurable and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System (SBAS) without adjustment, except for Video Gambling Tax. For fiscal years 1995-96 and 1996-97 Gambling Fee and Tax Distribution is reclassified from an Agency Fund to an Expendable Trust Fund. The Expendable Trust Fund recognizes tax revenues are collected by the state and provided to local governments. Consequently, these schedules do not agree in all cases to final SBAS summary reports.

Notes to the Financial Schedules

Accounts are organized in funds according to state law. The department uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include the account for Highway Patrol operations, the collection of gambling taxes, and federal financial assistance.

Proprietary Funds

Enterprise Fund - to account for operations (a) financed and operated in a manner similar to private business enterprises, where the legislature intends that the department finance or recover costs primarily through user charges; or (b) where the legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate. Alcoholic beverage licensing and tobacco enforcement had been recorded in the department's Enterprise Fund. These investigative activities related to licensing and enforcement were transferred to the department from the Department of Revenue beginning in fiscal year 1993-94.

Internal Service Fund - to account for providing goods or services to other agencies or departments on a cost-reimbursement basis. The department Internal Service Fund including the Agency Legal Services Bureau which provides legal services for other state agencies as requested. Agencies are billed for these services to cover the costs of providing legal assistance.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The department's fiduciary fund is the Gambling Fee and Tax Distribution Expendable Trust Fund which accounts for the accumulation of the video gambling tax for transfer to local governments.

Notes to the Financial Schedules

- 2. General Fund Balance**
- Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund balances for each of the two fiscal years ended June 30, 1996 and June 30, 1997.
- 3. Natural Resource Damages**
- The department records state resources applied to a lawsuit with Arco in the Natural Resource Damages account. The subject of the suit is the pollution of the upper Clark Fork drainage by mining and smelting wastes. As of fiscal year-end 1996-97, the state has expended \$9,816,206 pursuing a court decision. The suit is funded with coal severance tax moneys loaned through the state's Board of Investments from the Coal Tax Trust Fund. The coal tax moneys are recorded as loan proceeds to the department. The department has an obligation to repay the loan from the amount awarded by the court.
- The 1997 Legislature passed House Bill 110 to commit \$2,500,000 of additional state funds to continue the suit.
- 4. Cash Transfers**
- The operations of the Montana Highway Patrol are funded from gasoline and diesel fuel tax receipts. During the audit period the money was collected by the Department of Transportation and recorded as revenue to the state at the time of collection. To avoid duplicate recording of the same revenue on the state's accounting records, the state's accounting system records the funds transferred to the Department of Justice as a cash transfer. Total cash transfers for the Highway Patrol account were \$15,082,801 in fiscal year 1995-96 and \$15,315,614 in fiscal year 1996-97. These amounts account for the majority of the cash transfers shown in the Schedule of Changes in Fund Balances & Property Held in Trust for each of the two fiscal years ended June 30, 1997.

Notes to the Financial Schedules

5. **Litigation**
- The department is involved in the following litigation: Crow Tribe v. Racicot. This action presently involves a claim alleging that the state improperly terminated a compact entered into under the Indian Gaming Regulatory Act. The plaintiffs seek an unspecified amount of damages and attorney's fees. The case has been pending on cross-motions for summary judgement since August 1996.

Agency Response

ATTORNEY GENERAL
STATE OF MONTANA

Joseph P. Mazurek
Attorney General



Department of Justice
215 North Sanders
PO Box 201401
Helena, MT 59620-1401

November 17, 1997

Mr. Scott A. Seacat
Legislative Auditor
Legislative Audit Division
State Capitol Building
Helena, MT 59620

NOV 18 1997

Dear Scott:

The staff of the Department of Justice wish to express their appreciation for the manner in which your staff conducted the Financial Compliance Audit. They were very conscientious of our workload requirements and caused minimal disruption to staff.

The Board of Crime Control had no recommendations addressed to their division, so they have no written response. Following are the responses of the Department of Justice to the audit recommendations presented in your audit report covering fiscal years 1996 and 1997.

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT IMPLEMENT ADDITIONAL PROCEDURES TO ENSURE TIMELY DEPOSITS OF VIDEO GAMBLING TAXES IN ACCORDANCE WITH STATE LAW.

The Department concurs. Steps taken by the Gambling Control Division to address the problem include depositing early filings as received, devoting additional staff and authorizing compensatory time during heavy filing periods. The division will also explore the use of Department of Revenue's upcoming Revenue and Information Processing Center when it becomes operational in FY1999.

RECOMMENDATION #2

WE RECOMMEND THE DEPARTMENT ESTABLISH PROCEDURES TO PROPERLY RECORD DONATIONS TO THE MONTANA LAW ENFORCEMENT ACADEMY ON THE STATE'S ACCOUNTING RECORDS.

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The Department concurs. The Academy will strive to inform donors to properly identify the foundation as the payee when donations are made to the Joe May Memorial Fund.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT RECORD REVENUE ON ITS FINANCIAL RECORDS WHEN IT RECEIVES REIMBURSEMENT FOR HIGHWAY PATROL COSTS AS REQUIRED BY STATE ACCOUNTING POLICY.

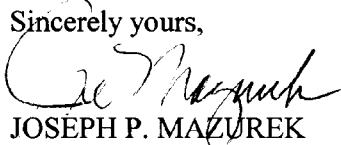
The Department concurs. The Department of Justice followed procedures established by the Disaster and Emergency Services Division of the Department of Military Affairs. These procedures required all disaster expenditures to be recorded on the Department of Military Affairs' accounting records and directed the participating agency to abate expenditures. These procedures were changed in FY1997 and now direct the participating agency to request a statutory general fund appropriation for any future disasters that require law enforcement support.

RECOMMENDATION #4

WE RECOMMEND THE DEPARTMENT ADOPT RULES FOR MAIL-IN VEHICLE RE-REGISTRATION AND DECAL APPLICATION AS REQUIRED BY LAW OR SEEK LEGISLATION TO AMEND THE LAW.

The Department concurs. The Motor Vehicle Division will adopt rules.

Sincerely yours,


JOSEPH P. MAZUREK
Attorney General